

Facts for Consumers



Going to Display Rack & Ruin

Ever hear the phrase
"All that glitters is not gold"?
It applies to fraudulent display
rack business opportunities.



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
202-FTC-HELP www.ftc.gov

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Fraudulent promoters across the country are offering entrepreneurs like you the chance to make \$100,000 or more a year selling licensed products from well known companies.

Their pitches include some great claims: *No selling. You won't have to quit your job. You can work from home. You can make your own hours.* Indeed, they say that for an investment of as little as \$15,000, all you have to do is restock profitable high-traffic display rack locations like malls, shopping centers, gift shops, convenience stores, supermarkets and chain drug stores.



Sounds like a dream opportunity, right? Wrong!

Entrepreneurs who invest in business opportunities like these rarely make the big money they're promised.

Promoters often supply undesirable merchandise—for example, outdated products that may never have captured the public's attention—and unprofitable locations. In fact, would-be business owners generally lose their entire investment.

If you're thinking about investing in a display rack opportunity, the Federal Trade Commission has a message for you: Check out their claims to avoid going to display "rack and ruin."

Business Opportunity Checklist



Check out the promoter.

- ✓ Call the legal department of the company whose merchandise is being promoted.
- ✓ Find out whether the promoter is affiliated with the company.
- ✓ Ask if the company has ever threatened trademark action against the promoter.



Question promises that your entire investment will go for "display racks and initial inventory." The promoter's sales commissions on your purchase of products may eat up as much as 30-40 percent of your investment.



Ask the promoter if you'll be charged wholesale or retail prices for your initial inventory. If you pay retail, you'll have to mark up the price to make a profit. That means you probably won't move much inventory. Even if the promoter agrees to sell your inventory at wholesale prices, you may get out-of-date merchandise that never sold in the first place. Either way, you lose.



Check out locator companies.

These are third-party firms, usually recommended by the promoter, that you hire to locate display rack sites. The firms may claim they've done market surveys in your area. Ask for copies. Typically, a firm charges you \$200 per site; the locator gets half the fee. Since high-traffic stores could sell popular consumer products on their own, locators may be able to secure low traffic locations only.



Get a list of previous investors, as

well as their addresses and phone numbers. The FTC's Franchise Rule requires it, and any legitimate business should be happy to provide it. If possible, visit one or two investors—and their locations—in person. If you call, you may talk to a “singer” or a “shill”—a person hired by the promoter to give a favorable report on the business.



Get earnings claims in writing.

Insist that the promoter give you written substantiation in the disclosure document required by the Franchise Rule. Be sure it includes the number and percent of others who have earned at least as much as the promoter claims. If the promoter hesitates or refuses, walk away. Don't believe what they say about sales, profits or income.



Consult an attorney, accountant or other trusted financial or business

advisor before you sign any agreement or make any upfront payments. Ask your attorney to review the company's contract and advise you on how best to proceed.



Call your state Attorney General or

local consumer protection agency, and the Better Business Bureau where you live and where the promoter's business is headquartered. Ask if there are any unresolved consumer complaints on file. This is a prudent and practical way to proceed, but not foolproof.

For More Information

If you think you've been defrauded by a display rack business opportunity promoter, contact the company and ask for a refund. Let the company know that you plan to contact law enforcement officials about your experience. Keep a record of your conversations and correspondence. If you send documents to the company, make sure you send copies, not originals. Send correspondence by certified mail, return receipt requested, so you have a record of what the company received.

If you can't resolve the dispute with the company, several organizations may be able to help you. Your phone book will have the names, addresses and phone numbers for these organizations.

✓ **Your state Attorney General.** Most of these offices have divisions that deal with consumer protection issues.

✓ **The advertising manager** of the publication that ran the business opportunity ad.

✓ **Federal Trade Commission.** You can file a complaint with the FTC by contacting the Consumer Response Center by phone: 202-FTC-HELP (382-4357), by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580, or online: use the complaint form at www.ftc.gov.

For a free copy of **Best Sellers**, a list of the FTC's consumer and business publications, contact: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; 202-FTC-HELP (382-4357); TDD: 202-326-2502. You also can visit the FTC at www.ftc.gov.